

**MINUTES OF THE FORMAL BOARD OF DIRECTORS' MEETING
MAY 26, 2011**

IMPORTED WATER COMMITTEE

CALL TO ORDER / ROLL CALL

Chair Watton called the Imported Water Committee meeting to order at 9:03 a.m. Committee members present were Directors Arant, Bond, Bowersox, Heidel, Knutson, Lewinger, Lewis, Linden, McIntosh, Steiner, and Wilson. Director Tu arrived at 9:25 a.m. Directors Morrison and Wight were absent. Also present were Directors Croucher, Dailey, Dion, Douglas, Hogan, Jungreis, Pocklington, Price, Saunders, Saxod, Smith, Walson, H. Williams, and K. Williams. At that time, there was a quorum of the full Board, and the meeting was conducted as a meeting of the Board, however, only committee members participated in the vote. Staff present included General Manager Stapleton, General Counsel Hentschke, Deputy General Manager Belock, Deputy General Manager Kerl, Assistant General Manager Cushman, Colorado River Program Director Razak, MWD Program Chief Chen, and others.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no public comments

CHAIR'S REPORT

Chair Watton reviewed recent activities regarding the Bay Delta Conservation Plan and the Delta Stewardship Council's Delta Plan. He stated that the Imperial Irrigation District named Kevin Kelley the permanent general manager replacing Brian Brady and discussed a recent meeting that the QSA Workgroup had with board members from IID.

4-A Director's comments.
There were no director's comments

I. CONSENT CALENDAR

There were no items on the consent calendar.

II. ACTION/DISCUSSION

1. Metropolitan Water District Issues and Activities update.
 - 1-A Metropolitan Water District's Delegates report.

The delegates discussed Fitch's recent downgrading of MWD's bond rating and MWD's water sales to-date. Director Steiner stated that the MWD board tabled a vote on the termination of funding for Water Authority conservation and local resource programs per MWD's Rate Structure Integrity provisions. She said that the MWD board approved the sale of discounted local storage replenishment water. The Water Authority and two

other agencies voted against that item. Following the delegates' reports, directors asked questions and made comments.

2. Colorado River Programs.
2-A Colorado River Board representative's report.

Director Knutson stated that with the above-normal snowpack, a 145 percent runoff was projected between now and July into the Colorado River system. He stated that the equalization release of 11.56 maf from Lake Powell to Lake Mead would take place over a period of time.

- 2-B Proposed elimination of Colorado River Board in the 2011-12 Governor's Budget May Revision.

Ms. Stapleton stated that the Colorado River Board does not receive state funding and if it were eliminated, there would be no savings to the state. She reported that the CRB agencies were working on a response to the Governor's budget proposal and discussing the possible alternatives in the event that the board was eliminated.

III. INFORMATION

The following information item was noted and filed:

1. Metropolitan Water District Program report.

The Committee went into closed session at 10:05 a.m.

IV. CLOSED SESSION

1. CLOSED SESSION:
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(a) – SDCWA v Metropolitan Water District of Southern California;
Case No. BS126888
(transferred to San Francisco – CPF-10-510830)
2. CLOSED SESSION:
Conference with Legal Counsel – Consideration of Initiation of Litigation
Government Code §54956.9(c) -- One Case

Mr. Hentschke brought the Committee out of Closed Session at 10:44 a.m. and stated that there was no reportable action.

V. ADJOURNMENT

There being no further business to come before the Imported Water Committee, Chair Watton adjourned the meeting at 10:45 a.m.

LEGISLATION, CONSERVATION AND OUTREACH

CALL TO ORDER/ROLL CALL

Chair Saxod called the Legislation, Conservation and Outreach Committee to order at 10:48 a.m. Committee members present were Chair Saxod, Vice Chairs Hilliker and Jungreis, and Directors Bowersox, Boyle, Croucher, Dailey, Douglas, Tu, Walson, and H. Williams. Committee members absent were Directors Mudd, Muir, and Wornham. There was a quorum of the Committee. Other Board members present were Directors Arant, Bond, Dion, Heidel, Hogan, Knutson, Lewinger, Lewis, Linden, McIntosh, Pocklington, Price, Smith, Watton, K. Williams, and Wilson.

Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Public Affairs Foster, Water Conservation Program Executive Rose, and Government Relations Manager Volberg.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to address the Committee.

CHAIR'S REPORT

Chair Saxod reported that the Water Authority held a well-attended legislative roundtable with Congressman Duncan Hunter on May 19, 2011. She announced that the next legislative roundtable was scheduled for June 17, 2011 at 8 a.m. with Assembly Members Toni Atkins and Brian Jones. She noted that the roundtable originally scheduled for June 3 with Assembly Member Atkins was now a joint event on June 17, 2011.

Chair Saxod announced that the Water Authority was making management changes. Ms. Stapleton explained that Ms. Vedder had been added to the MWD Team focusing on information-sharing and outreach and Ms. Westford had been added to the Public Affairs department to manage the Water Authority's conservation efforts.

DIRECTORS' COMMENTS

There were no Directors' Comments.

I. CONSENT CALENDAR

There were no items on the Consent Calendar.

II. ACTION/DISCUSSION

1. Legislative Issues.

1-A Report by Carpi and Clay.

Mr. Clay reported on issues in Sacramento and stated that he would take any questions on issues in Washington, D.C. to Mr. Carpi.

1-B Adopt positions on various state bills.

Staff recommendation:

1. Adopt a position of Support, if amended, on AB 229 (Lara)
2. Adopt a position of Support on SB 215 (Huff)
3. Adopt a position of Support and Seek Amendments on SB 607 (Walters)

Management Analyst Schnell provided a presentation, including summary and recommendations for AB 229 (Lara), SB 215 (Huff), and SB 607 (Walters).

Director Boyle moved, Director Croucher seconded, to adopt staff recommendation and the motion passed unanimously to adopt position of support, if amended, on AB 229 (Lara); adopt a position of support on SB 215 (Huff), and adopt a position of Support, and Seek Amendments on SB 607 (Walters). Chair Dailey called for the question and the motion carried. Director Dailey abstained on Item No. 3, Support and Seek Amendments on SB 607 (Walters).

III. INFORMATION

The following items were received and filed:

1. Legislation related to the City of Bell scandal.
2. Government relations update.
3. Status report on legislation and legislative positions.

IV. ADJOURNMENT

There being no further business to come before the Legislation, Conservation and Outreach Committee, Chair Saxod adjourned the meeting at 11:23 a.m.

ENGINEERING AND OPERATIONS COMMITTEE

CALL TO ORDER/ROLL CALL

Chair Knutson called the Engineering and Operations Committee to order at 11:27 a.m. Committee members present were Chair Knutson, Vice Chairs Dailey and Pocklington, Directors Douglas, Hogan, Lewinger, McIntosh, Saxod, Smith, and Wilson. Director K. Williams arrived just after roll call. Absent were Directors Bailey, Ferguson, Mudd and Morrison. There was a quorum of the Committee. Other Board members present were Directors Arant, Bond, Bowersox, Croucher, Dion, Heidel, Hilliker, Jungreis, Lewis, Linden, Price, Walson, Watton, and H. Williams.

Staff present was General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Engineering Stift, Director of Operations and Maintenance Eaton, Acting Director of Right of Way Busch, and Operations and Maintenance Manager Galleher.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to address the Committee.

CHAIR'S REPORT

Chair Knutson reviewed the activities of the Engineering & Operations Lake Hodges Subcommittee and announced that the Lakeside 1 Flow Control Facility received an Honor Award from APWA at their May 12, 2011 awards luncheon. Also, as part of the APWA awards program, Lola Matraya, Senior Office Assistant in the Engineering Department received an Award of Merit.

I. CONSENT CALENDAR

1. Professional services contract with Pure Technologies US Inc. for Acoustic Fiber Optic Cable Monitoring Services on Pipelines 3, 4, 5 and Crossover Pipeline.
Staff recommendation: Authorize the General Manager to award a professional services contract to Pure Technologies US Inc., for an amount not-to-exceed \$3,998,690 to provide acoustic fiber optic cable monitoring services through June 30, 2016.

2. Professional services contract with HDR Engineering, Inc., for Corrosion Engineer and Corrosion Technician Support Services.
Staff recommendation: Authorize the General Manager to award a professional services contract to HDR Engineering, Inc. to provide corrosion engineer and corrosion technician support services for an amount not-to-exceed \$1,700,000, and for up to a three-year term.

Mr. Galleher gave a presentation on the acoustic fiber monitoring system. The presentation included background on Water Authority pre-stressed pipelines and their locations, and how the Water Authority manages this asset with the latest acoustic technologies.

During discussions and following a number of questions, Director Wilson requested that the staff recommendations be modified for Items 1 and 2 on the Consent Calendar. Vice Chair Pocklington made a motion to accept the modifications to staff's recommendation for Item 1 by including the following: With payments contingent upon Board approval of the General Manager's Operating Budgets. Director Hogan seconded and the modified motion was passed unanimously.

Vice Chair Pocklington also made a motion to accept the modification to staff's recommendation for Item 2 by including the following: With payments contingent upon Board approval of the General Manager's Operating Budgets. Director Williams seconded and the modified motion was passed unanimously.

II. ACTION/DISCUSSION

There were no items for action/discussion.

III. INFORMATION

There were no informational items on the agenda.

IV. CLOSED SESSION

Mr. Hentschke took the Committee into Closed Session at 11:51 a.m.

1. CLOSED SESSION:

Conference with Legal Counsel - Potential Litigation
Government Code §54956.9(b)(1) – OMWD – Elfin Forest Reserve

Mr. Hentschke brought the Committee out of Closed Session at 12:08 p.m. and stated that any actions taken in Closed Session were not reportable.

V. ADJOURNMENT

There being no further business to come before the Engineering and Operations Committee, Chair Knutson adjourned the meeting at 12:09 p.m.

WATER PLANNING COMMITTEE

CALL TO ORDER/ROLL CALL

Chair Dion called the Water Planning Committee Meeting to order at 1:04 p.m. Committee members present were Chair Dion, Vice Chairs Price and Saunders, Directors Boyle, Heidel, Linden, Pocklington, Walson and K. Williams. Director Watton arrived at 1:30 p.m. Directors Ferguson, Hogan, Jungreis and Steiner were absent. Also present were Directors Arant, Bond, Bowersox, Croucher, Dailey, Douglas, Hilliker, Lewinger, Lewis, McIntosh, Mudd, Muir, Saxod, Smith, H. Williams and Wilson. At that time, there was a quorum of the Board and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Water Resources Weinberg, Water Resources Managers Purcell and Yamada, Principal Water Resources Specialist Frieauf and Senior Water Resources Specialists Bombardier and Gage.

PUBLIC COMMENT

There were no comments made by the public.

DIRECTORS' COMMENTS

There were no comments made by Directors.

CHAIR'S REPORT

Chair Dion followed up on his comments from the May 23, 2011, Water Planning committee meeting; he thanked Water Resources staff and executive staff of the Water Authority for successfully implementing and managing the Water Shortage Drought Response Management Plan. In addition, he commented on an award of appreciation received from CalDesal, of which the Water Authority is a founding member, as well as the June 21, 2011, meeting of the Council of Water Utilities, which would feature CalDesal Executive Director Ron Davis as a speaker.

I. CONSENT CALENDAR

There were no Consent Calendar items.

II. ACTION/DISCUSSION

1. PUBLIC HEARING: Public hearing to receive comments on the Water Authority's Draft 2010 Urban Water Management Plan.

Chair Dion opened the public hearing at 1:07 p.m. Ms. Gage presented information on the activities occurred to date, plan components and the remaining schedule, which would include board adoption of the plan on June 23, 2011, and submittal of the adopted plan to the California Department of Water Resources by July 23, 2011. Staff responded to questions raised by Directors Mudd, Douglas, Muir and Pocklington.

Chair Dion opened the meeting for public comment at 1:30 p.m. Speaking in favor of the Draft 2010 Urban Water Management Plan were Gina McBride, Carlsbad Chamber of Commerce; Janelle Riella, San Diego Downtown Partnership; Kendall Helm, San Diego Economic Development Council; Patti Krebs, Industrial Environmental Association; and Simon Wong, Simon Wong Engineering. Public comments concluded at 1:38 p.m. Director Muir requested a brief update from staff on the status of the Carlsbad Desalination Project, included in the plan as a water supply. Ms. Stapleton assured an update would be provided at the June 23, 2011, Board meeting.

Chair Dion closed the public hearing at 1:39 p.m. He advised that written comments on the Draft 2010 Urban Water Management Plan would be accepted through June 6, 2011, and that the plan would be returned to the board for adoption at the June 23, 2011, Water Authority Board Meeting.

III. INFORMATION

The following item was received and filed:

1. Water Resources report.

IV. CLOSED SESSION

There were no Closed Session items.

V. ADJOURNMENT

Chair Dion adjourned the meeting at 1:41 p.m.

ADMINISTRATIVE AND FINANCE COMMITTEE

CALL TO ORDER / ROLL CALL

Vice Chair Bond called the Administrative and Finance Committee meeting to order at 1:53 p.m. Committee members present were Vice Chair Bond, Vice Chair Croucher, Directors Arant, Dion, Hilliker, Muir, Price, Saunders, Smith, and H. Williams. Committee members absent were Chair Wight, Directors Bailey, Lewis and Wornham. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Also present were Directors Boyle, Dailey, Douglas, Heidel, Hogan, Lewinger, McIntosh, Pocklington, Saxod, Steiner, Walson, Watton, K. Williams, and Wilson. Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Finance/Treasurer Sandler, Director of Administrative Services Young, Controller Greek, Financial Planning Manager Shank, Risk Manager Homer, and Budget and Analysis Manager Celaya.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to speak.

CHAIR'S REPORT

Vice Chair Bond announced that the General Manager's Recommended Budget for Fiscal Years 2012 and 2013 was distributed to each board member. He encouraged all board members to review it in preparation of the budget workshops that were scheduled on June 7th and June 9th at 1:30 p.m.

DIRECTORS' COMMENTS

There were no Directors' comments.

I. CONSENT CALENDAR

1. Treasurer's report.

Staff recommendation: Note and file the monthly Treasurer's report.

Director Price moved, Director Saunders seconded, and the motion passed unanimously to approve the consent calendar.

II. ACTION/DISCUSSION

1. Presentation of the General Manager's Recommended Budget for Fiscal Years 2012 and 2013 for review by the Administrative and Finance Committee and the Board of Directors.

Ms. Stapleton gave a thorough presentation of the General Manager's Recommended Budget for Fiscal Years 2012 and 2013 by explaining the budget document layout, the "new normal", an overview of the budget, and the budget workshop schedule.

Board members commended Ms. Stapleton on an excellent presentation and asked several questions that would be addressed at the June 7th and June 9th budget workshops.

2. Resolution setting a Public Hearing date for the Water Authority's proposed calendar year 2012 Rate and Charge increases.
Staff recommendation: Adopt Resolution Number 2011-___ setting the time and place for a public hearing on June 23, 2011 at 9:00 a.m., or as soon thereafter as may practicably be heard, during the Administrative & Finance Committee meeting, to receive comments regarding establishing a Melded Supply Rate, a Melded Treatment Rate, a Transportation Rate, the Special Agricultural Water Program rates, a Customer Service Charge, a Storage Charge and an Infrastructure Access Charge to be effective January 1, 2012 for calendar year 2012.

Mr. Sandler provided a presentation of the recommended Calendar Year 2012 rates and charges by providing a summary of the rate setting process, rate and charge key drivers, and the recommended rates and charges for 2012. He also explained the financial performance metrics and the schedule to set the rates.

Directors made comments and asked questions that would be addressed at the June 7th and June 9th budget workshops.

Director Muir moved, Director Price seconded, and the motion passed unanimously to approve the staff recommendation.

III. INFORMATION

1. Presentation on Water Authority's insurance program(s).

Mr. Homer provided a brief presentation on the Water Authority Insurance Programs covering the Business Insurance Program for daily operations explaining liability insurance, property insurance, and workers' compensation insurance coverage.

Mr. Homer also covered the Owner Controlled Insurance Program for the Emergency Storage projects by explaining the general liability insurance, builders risk insurance, workers' compensation insurance and professional liability insurance coverage.

Directors made comments and asked questions. Mr. Homer provided answers.

The following items were received and filed:

2. Controller's report.
3. Board calendar.

IV. CLOSED SESSION

There were no Closed Session items.

V. ADJOURNMENT

There being no further business to come before the Administrative and Finance Committee, Chair Wight adjourned the meeting at 3:15 p.m.

FORMAL BOARD OF DIRECTORS' MEETING OF MAY 26, 2011

1. **CALL TO ORDER** Chair Hogan called the Formal Board of Directors' meeting to order at 3:20 p.m.
2. **SALUTE TO THE FLAG** Director McIntosh led the salute to the flag.
3. **ROLL CALL, DETERMINATION OF QUORUM**
Secretary Smith called the roll. Directors present were Arant, Bond, Croucher, Dailey, Dion, Douglas, Ferguson, Heidel, Hilliker, Hogan, McIntosh, Mudd, Muir, Pocklington, Price, Saunders, Saxod, Smith, Steiner, Walson, Watton, H. Williams, K. Williams, and Wilson. Directors absent were Bailey, Bowersox, Boyle, Ferguson, Knutson, Lewinger, Lewis, Linden, Morrison, Tu, Wight, Wornham and Representative Slater-Price.

3-A **Report on proxies received.** Director Dailey was the proxy for Director Bowersox and Director Smith was the proxy for Director Linden.
4. **ADDITIONS TO AGENDA** There were no additions to the agenda.
5. **APPROVAL OF MINUTES** Director Saxod moved, Director McIntosh seconded, and the motion carried at 87.11% of the vote to approve the minutes of the Formal Board of Directors' meeting of April 28, 2011.
6. **OPPORTUNITY FOR MEMBERS OF THE PUBLIC WHO WISH TO ADDRESS THE BOARD ON MATTERS WITHIN THE BOARD'S JURISDICTION**
The following members of the public spoke:
 1. Tal Finney of the Dongell, Lawrence Finney firm from Los Angeles, California.
 2. Nathan Hamler of the Mintz Levin firm from San Diego, California.
 3. Bill Walsh of the W. Walsh Company, Inc. from Attleboro, Massachusetts.
All three speakers spoke on the San Vicente Tunnel Pipeline Project.
7. **PRESENTATIONS AND PUBLIC HEARINGS**
7-A Recognition of Angela Tomayko, Administrative Assistant, employee of the 3rd quarter.

Ms. Tomayko was recognized as employee of the 3rd quarter.

8. **REPORTS BY CHAIRS**

8-A Chairs report: Chair Hogan. Chair Hogan announced resulting from the April Board meeting discussion; he had formed a five member Per Diem Policy Work Group. The members are Tom Wornham, Chair, and Directors Croucher, Ferguson, K. Williams and Wilson. The Work group would report back to the Board on any policy recommendations. He stated the Board Retreat outcome matrix would be distributed to the Board that afternoon. He reviewed his recent trip to Sacramento. He reminded the Board to complete the General Manager/General Counsel reviews, and of the upcoming Legislative Roundtable on June 17, 2011.

8-B Report by Committee Chairs.

Imported Water Committee. Director Watton reviewed the meeting, no action was taken.

Legislation, Conservation and Outreach Committee. Director Saxod reviewed the meeting and the action taken.

Engineering and Operations Committee. Director Dailey reviewed the meeting and stated there was no reportable action.

Water Planning Committee. Director Dion reviewed the meeting.

Administrative and Finance Committee. Director Bond reviewed the meeting and the actions taken.

9. **CONSENT CALENDAR**

Director Mudd moved, Director Tu seconded, and the motion carried at 87.11% of the vote to approve the consent calendar. Directors voting no or abstaining are listed under the item number.

9- 1. The Board adopted positions on various state bills.

1. Adopted a position of Support, if amended, on AB 229 (Lara)
2. Adopted a position of Support on SB 215 (Huff)
3. Adopted a position of Support and seek amendments on SB 607 (Walters)

9- 2. Professional services contract with Pure Technologies US Inc. for acoustic fiber optic cable monitoring services on Pipelines 3, 4, 5 and Crossover Pipeline.

The Board authorized the General Manager to award a professional services contract to Pure Technologies US Inc., for an amount not-to-exceed \$3,998,690 to provide acoustic fiber optic cable monitoring services through June 30, 2016, with payments contingent upon Board approval of the General Manager's Operating Budgets.

9- 3. Professional services contract with HDR Engineering, Inc., for Corrosion Engineer and Corrosion Technician Support Services.

The Board authorized the General Manager to award a professional services contract to HDR Engineering, Inc. to provide corrosion engineer and corrosion technician support services for an amount not-to-exceed \$1,700,000, and for up to a three-year term, with payments contingent upon Board approval of the General Manager's Operating Budgets.

9- 4. Treasurer's report.

The Board noted and filed the monthly Treasurer's report.

9- 5. Resolution setting a Public Hearing date for the Water Authority's proposed calendar year 2012 Rate and Charge increases.

The Board adopted **Resolution Number 2011-11** setting the time and place for a public hearing on June 23, 2011, at 9:00 a.m., or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, to receive comments regarding establishing a Melded Supply Rate, a Melded Treatment Rate, a Transportation Rate, the Special Agricultural Water Program rates, a Customer Service Charge, a Storage Charge and an Infrastructure Access Charge to be effective January 1, 2012 for calendar year 2012.

10. **ACTION/DISCUSSION**

There were no items under Action/Discussion.

11. **CLOSED SESSION(S)**

11-A **CLOSED SESSION:**

Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(a) – SDCWA v Metropolitan Water District of Southern California;
Case No. BS126888 (transferred to San Francisco – CPF-10-510830)

11-B **CLOSED SESSION:**

Conference with Legal Counsel – Consideration of Initiation of Litigation
Government Code § 54956.9(c) – One Case

11-C **CLOSED SESSION:**

Conference with Legal Counsel - Potential Litigation
Government Code §54956.9(b)(1) – OMWD – Elfin Forest Reserve

Mr. Hentschke took the Board into Closed Session at 3:45 p.m. on item 11-B. Mr. Hentschke brought the Board out of Closed Session at 3:46 p.m. and stated there was no reportable action.

12. **Action following Closed Session.**

13. **SPECIAL REPORTS**

13-A GENERAL MANAGER'S REPORT – Ms. Stapleton announced a 5-acre fire had happened that afternoon at the San Vicente construction site, the fire was quickly brought under control.

13-B GENERAL COUNSEL'S REPORT – No report was given.

13-C SANDAG REPORT – Director Muir reviewed the recent meeting.
SANDAG BORDERS/REGIONAL PLANNING COMMITTEE – Director H. Williams announced there was nothing to report.

13-D AB 1234 COMPLIANCE REPORTS – No reports were given.

14. **OTHER COMMUNICATIONS** - None.

15. **ADJOURNMENT**

There being no further business to come before the Board, Chair Hogan adjourned the meeting at 3:50 p.m.

Michael T. Hogan, Chair

Richard K. Smith, Secretary

Doria F. Lore, Clerk of the Board